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RUEHLO/AMEMBASSY LONDON PRIORITY 0953
RUEHFR/AMEMBASSY PARIS PRIORITY 0875
RUEHTV/AMEMBASSY TEL AVIV PRIORITY 3557
RUEHJM/AMCONSUL JERUSALEM PRIORITY 2612
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C O N F I D E N T I A L SECTION 01 OF 03 MANAMA 001214

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TAGS: [PGOV](#) [ECON](#) [EFIN](#) [BA](#) [POL](#) [ECTRD](#)
SUBJECT: FINANCES, FAST TRACK, AND FISTICUFFS: BAHRAIN'S
LOWER HOUSE PASSES BUDGET

Classified by Ambassador William T. Monroe for reasons 1.4
(b) and (d).

Summary

¶1. (C) The lower house Council of Representatives (COR) July 2 approved a BD 3.79 billion 2007-08 two-year budget following the government's invocation of a fast-track procedure that required the COR to act within 15 days of receiving the draft bill. It now moves to the upper house Shura Council, which also has 15 days to act. The government's decisions to use the fast-track procedure and to submit the budget during the current parliamentary session rather than the next session following elections in the fall, attracted a great deal of controversy. The government likely sought to benefit in several ways. The current COR members have more experience in the budget process than those newly elected members will likely have, the coming COR is expected to have greater representation from the opposition, and consideration of the budget would be greatly delayed while the new parliament is constituted. According to MP Jasim Abdul Aal, current members went along with the government because the budget contains increased funding for social services, which MPs will be able to claim credit for during their campaigns. Debate over the budgets for the Ministries of Defense and Interior was heated, with two MPs moving from verbal jabs to physical blows. The fast-track procedure at least temporarily shifted power from the legislature to the executive on fiscal issues and could serve as a precedent for future budget submissions. End Summary.

Budget Passes COR with Bare Majority

¶2. (U) The elected lower house Council of Representatives July 2 voted in favor of the proposed BD 3.79 billion (\$10 billion) 2007-08 two-year government budget after a bruising fifteen days of votes, debates, questioning, and confrontations. The vote was 18-Yes, 8-No, and 6-Abstain, with the bill winning approval by just over a majority of the 32 deputies present. The bill now moves to the upper house Shura Council.

¶3. (SBU) The government delivered the budget to the COR on June 17 as an "urgent" bill, a status requiring action within

15 days of receipt by each of the two parliamentary chambers. Article 87 of the 2002 constitution states, "Every bill that regulates economic or financial matters, and the Government requests its urgent consideration, shall first be submitted to the Chamber of Representatives so that it takes a decision on it within fifteen days." The article contains similar language for the Shura Council. Use of Article 87, a "fast-track" procedure, is new; it was first used in May to expedite approval of a series of intellectual property rights laws that were required for implementation of the U.S.-Bahrain free trade agreement.

Controversial Use of Fast-Track Procedure

¶4. (C) The government decision to (a) deliver the draft budget to the COR during the current session and, (b) under a fast-track procedure, attracted a good deal of controversy. Parliament is currently in a lame-duck session. Elections will take place in the fall, likely in early November, and many current MPs are expected to lose their seats. The last time the government submitted its draft (two-year) budget (covering 2005-06) was in February 2005 and the COR took some five months to review, amend and finally pass it. Many observers inside and outside of parliament viewed the submission of the budget to the COR as an attempt by the government to avoid a bruising budget battle with the next parliament, which will likely be more oppositionist in nature and less familiar with budget processes than the current parliament. According to MP Sharif Othman, the new parliament will take months to settle on its leadership and committee memberships, and consideration of the budget would

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be significantly delayed. He noted that in 2005, planning for capital projects was disrupted because of the budget process.

¶5. (C) Vice Chairman of the COR Finance and Economy Committee Jasim Abdul Aal told Pol/Econ Chief that he has mixed reactions to the government's approach to the budget. On the one hand, he recognizes that use of fast-track results in greater power in the hands of the government at the expense of the parliament, and could serve as a precedent for future budget submissions. On the other hand, he admits that the draft budget has elements of an election year budget, complete with additions in funding for social programs that current MPs will be able to claim credit for during their campaigns.

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Ministers of Defense, Interior, Face Questioning
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¶6. (C) The budgets of the Ministries of Defense and Interior were a focus area for the COR. (Note: We will report an analysis of the budget septel.) The Ministry of Defense's two-year budget totals BD 400 million (just over \$1 billion), some ten percent of the total budget. Several Shia MPs questioned the need for such a large budget, asking, "Where is the threat?" and asserting that the U.S. military would defend Bahrain. (Comment: Although he is an unusually blunt speaker, even Defense Minister Shaikh Khalifa bin Ahmed Al Khalifa could not say publicly that the threat is Iran.) Shia MPs also questioned Shaikh Khalifa about the Ministry's hiring practices, asking why there are so few Shias in the Ministry and Bahrain Defense Force. In this case, his bluntness won out. According to Abdul Aal, Shaikh Khalifa replied that some citizens are not loyal to Bahrain, and this influences the Ministry's hiring decisions. In the end, the Defense budget remained largely intact. MPs voted to shave BD 3 million from the 2007 budget and BD 2 million from the 2008 budget.

¶7. (C) The debate over the Interior Ministry budget was

quite different. Abdul Aal told Emboffs that Interior Minister Shaikh Rashid bin Abdullah Al Khalifa was very open and transparent in his responses to questions from the deputies. As a result, the COR voted to increase the MOI two-year budget from BD 100 million to BD 145 million. Shaikh Rashid justified the increase by saying that he had embarked on a process to replace (Sunni) foreigners from the ranks of MOI persnnel with Bahrainis. He stated that for every 5 expats he lays off, he must hire 100 Bahrainis to get the job done, thus the need for the increase.

Verbal Jabs Yield o Blows

¶8. (SBU) uring debate over the full budget on July 1, Shia MP and Vice Chairman of the Legislative CommitteeAbdullah Al Aali complained about the Defense Minstry's employment of naturalized (Sunni) Bahraains (mostly of Yemeni, Syrian, Jordanian, and Pakitani origin). Al Aali said these "mercenaries" re "sucking up our country's limited resources and are getting jobs, housing, education and medical treatment while our people are finding it hard to live." (Note: This is a frequent complaint of Shia politicians and activists.) Speaker Khalifa Al Dhahrani and other MPs told him to "shut up" but he continued shouting. Al Dhahrani then suspended the meeting.

¶9. (SBU) Al Aali and the outspoken and virulently anti-American Salafii MP Shaikh Mohammed Khalid argued about Al Aali's comments as they filed out of the chamber, escalating into cursing one another, according to the press. Khalid told Al Aali not to raise his voice, "like you do in the matam," a Shia religious community center. Shia MP Jasim Al Muwali then joined the fray, calling Khalid a donkey. Al Muwali ended up punching Khalid under the eye. A scuffle broke out with several other MPs pushing and shoving one another. When the session resumed, Al Muwali publicly apologized to Khalid. July 2 dailies printed a photo of Khalid holding an icepack to his cheek. A July 5 cartoon

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showed a man in athletic clothes working out with a punching bag while his friend asks, "I don't understand... what does your candidacy in the elections have to do with boxing?" COR Second Deputy Vice Chairman Abdul Hadi Marhoon was hospitalized July 3 with a possible heart attack brought on by the stress of the sessions.

Comment

¶10. (C) In the evolution of the balance of power between Bahrain's executive and legislative branches, the government's decision to submit the draft budget to a lame-duck parliament under the fast-track procedure undoubtedly resulted in the government seizing greater control over the budget process at the expense of the legislature. However, given the circumstances related to the coming elections and the government beefing up funding for social services, current MPs willing went along with this tactic while scoring some marginal points related to the budgets of the Ministries of Defense and Interior. Future budget battles promise to be much more difficult as a result of the next parliament's relative inexperience in the budget process and the likelihood of a greater number of oppositionists in the COR.

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